

What is claimed is:

1. A method of compensating a health service provider providing health services in service episodes to health plan members, the method comprising sharing a portion of the cost savings resulting from the provider's reduction of actual average cost per service episode compared to a predetermined budgeted average cost per service episode, the portion depending in part upon the provider's average cost per service episode compared to an average cost per service episode of providers to the members, and in part upon the provider's performance on at least one of a quality measure and a member satisfaction measure.

2. The method according to claim 1 wherein the provider's actual average cost per service episode and the budgeted average cost per service episode are indexed to the same level of episode severity before comparison.

3. The method according to claim 1 wherein the provider's actual average cost per service episode and the average cost per service episode of care of providers to the members of the health plan are indexed to the same level of episode severity before comparison.

4. The method according to claim 1 wherein the portion of the cost savings shared with the provider depends upon whether the provider's average cost per service episode is above or below the median average cost per service episode of care of providers to the members of the health plan.

5. The method according to claim 1 wherein the portion of the cost savings shared with the provider depends in part upon the provider's performance on a quality measure.

6. The method according to claim 1 wherein the portion of the cost savings shared with the provider depends in part upon the provider's performance on a member satisfaction measure.

7. The method according to claim 1 wherein the portion of the cost savings shared with the provider depends in part upon the provider's performance on a measure of quality measure and member satisfaction.

8. The method according to claim 1 wherein the service provider is a group of individuals.

9. The method according to claim 1 wherein the service provider is a group of individuals in a particular medical specialty, and wherein the comparison between the provider's average cost per service episode and an average cost per service episode of care of providers

providing service to the members of the health plan is made with providers in the same medical specialty.

10. A method of compensating a group of physicians providing health services in service episodes to health plan members, the method comprising sharing a portion of the cost savings resulting from the reduction of the group's actual average cost per service episode compared to a predetermined budgeted average cost per service episode, the portion depending in part upon the group's average cost per service episode compared to an average cost per service episode of groups providing service to the members, and in part upon the group's performance on at least one of a quality measure and a member satisfaction measure.

11. The method according to claim 10 wherein the group's actual average cost per service episode and the group's budgeted average cost per service episode are indexed to the same level of episode severity before comparison.

12. The method according to claim 10 wherein the group's actual average cost per service episode and the average cost per service episode of care of the group's serving the health plan members are indexed to the same level of episode severity before comparison.

13. The method according to claim 10 wherein the portion of the cost savings shared with the group depends upon whether the group's average cost per service episode is above or below the mean of the average cost per service episode of care of groups providing the same type of health service to the members of the health plan.

14. The method according to claim 10 wherein the portion of the cost savings shared with the group depends in part upon the group's performance on a quality measure.

15. The method according to claim 10 wherein the portion of the cost savings shared with the provider depends in part upon the group's performance on a member satisfaction measure.

16. The method according to claim 10 wherein the portion of the cost savings shared with the provider depends in part upon the group's performance on a quality measure and a member satisfaction measure.

17. The method according to claim 10 wherein the group is a group of individuals in a particular medical specialty, and wherein the comparison between the group's average cost per service episode and the average cost per service episode of care of groups providing service to the members of the health plan is made only with groups in the same medical specialty.

18. A method of compensating physicians for managing the cost and quality of health care services provided to members of a health plan served by a plurality of physician groups, the method comprising:

developing a budgeted cost per episode of patient for a program period for at least one physician group based at least in part on the historic actual performance of the group;

compiling data on actual cost per episode of patient care during the program period;

comparing the group's actual cost per episode of patient care during the program period with the group's budgeted cost per episode of patient care for the program period, adjusted for changes in the severity of illness of the patients treated;

sharing a portion of the savings resulting from a reduction in actual cost per episode of patient care with the group, the portion depending upon the group's performance on a quality and/or patient satisfaction indicator.

19. The method according to claim 18 wherein the sharing of a portion of the savings is also dependent on the group's performance relative to other physicians.

20. The method according to claim 19 wherein the sharing of a portion of the savings of a group is dependant on a comparison of a measure of the group's cost per episode of patient care with a measure of other physicians' cost per episode of patient care.

21. The method according to claim 20 wherein the measure of the group's cost per episode of patient care and the measure of other physicians' cost per episode of patient care in indexed to the same level of episode severity before comparison.

22. The method according to claim 18 wherein the portion of savings shared with the group depends upon the group's performance on a quality indicator relative to other physicians' performance on the quality indicator.

23. The method according to claim 18 wherein the quality indicator includes a measurement of the number of patients with a particular diagnosis receiving a particular treatment.

24. The method according to claim 18 wherein the quality indicator includes a measurement of the number of patients with a particular diagnosis not receiving a particular treatment.

25. The method according to claim 18 wherein the quality indicator includes a measurement based on survey responses of plan members treated by the group.

26. The method according to claim 18 wherein a group's budgeted cost per episode of patient care is determined based at least in part on the historic performance of the individual physicians in the group.

27. The method according to claim 26 wherein the weight given to the historic performance of an individual physician in the group depends upon that physician's total number of episodes of care.

28. The method according to claim 26 wherein the weight given to the historic performance of an individual physician in the group depends upon the physician's number of episodes of care and the physician's medical specialty.

29. The method according to claim 18 wherein the budgeted cost per episode of patient care and the actual cost per episode of patient care exclude outpatient prescription pharmaceuticals.

30. The method according to claim 18 wherein the comparison between group's actual cost per episode of patient care during the program period with the group's budgeted cost per episode of patient care for the program period, is adjusted to take into account inflation between the time of the budget and the program period.

31. The method according to claim 30 wherein the adjustment to take into account inflation is implemented by increasing the group's budgeted cost per episode of patient care.

32. The method according to claim 30 wherein the adjustment to take into account inflation is implemented by decreasing the group's actual cost per episode of patient care.

33. The method according to claim 18 wherein the adjustment for changes in the severity of illness of the patients treated comprises indexing the relative costs of the episodes of care used in determining budgeted cost per episode of patient care, and the relative costs of the episodes of care used in determining the actual cost per episode of patient care.

34. A method managing the cost of health services provided to members of a health plan served by a plurality of physician groups, by compensating physician groups for managing the cost and quality of health care services, the method comprising:

sharing with a group a portion of the cost savings resulting from that group's reduction in the cost episode of patient care during a period from a predetermined budgeted cost per episode of patient care for that period, the portion being determined at least in part by the group's performance on a quality and/or patient satisfaction indicator.

35. The method according to claim 34 wherein the portion is determined by the group's performance on a quality indicator relative to other physician's performance on that quality indicator.

36. The method according to claim 34 wherein the budgeted cost per episode of patient care is based at least in part upon the group's historical performance.

37. The method according to claim 36 wherein the weight given to a group's historical performance depends upon the number of years of data for the group.

38. The method according to claim 37 wherein the weight given to a group's historical performance depends upon the number of years of data for the group and the group's specialty.

39. The method according to claim 36 wherein the weight given to the historic performance of an individual physician in the group depends upon the physician's number of episodes of care and the physician's medical specialty.

40. The method according to claim 36 wherein the budgeted cost per episode of patient care is based in part on the historic performance of the individual physicians in the group.

41. The method according to claim 34 wherein the quality indicator includes a measurement of the number of patients with a particular diagnosis receiving a particular treatment.

42. The method according to claim 34 wherein the sharing of a portion of the savings is also dependent on the group's performance relative to other physicians

43. The method according to claim 42 wherein the sharing of a portion of the savings of a group is dependant on a comparison of a measure of the group's cost per episode of patient care with a measure of other physician's cost per episode of patient care.

44. The method according to claim 34 wherein the quality indicator includes a measurement of the number of patients with a particular diagnosis not receiving a particular treatment.

45. The method according to claim 34 wherein the quality indicator includes a measurement based on survey responses of plan members treated by the group.

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